

This record is a partial extract of the original cable. The full text of the original cable is not available.

071409Z Jun 05

UNCLAS MADRID 002169

SIPDIS

TREASURY PASS TRACI PHILLIPS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [SP](#)

SUBJECT: SPAIN'S 2003 TAX BURDEN RISES 0.45 PERCENT OVER 2003

REF: MADRID 02109

1. Summary. Spain's 2004 tax burden rose slightly to 34.45 percent of GDP, a 0.45 percent rise over 2003. This figure is calculated using the new GDP base year of 2000, and would be 36.12 percent of GDP under the older calculation year of 1995 (reftel). The Socialist government promised that the tax burden would not rise during its term in office. The government's calculations show that the increase was due to higher taxes at the autonomous regional and municipal government level, rather than at the national level. Spain's tax burden is 16th among the EU-25 and 14th among the EU-15. End Summary.

2. The Ministry of Economy and Finance published June 6 the calculations for the 2004 tax burden as a percentage of GDP. The overall tax burden in Spain rose 0.45 to 34.45 of GDP over 2003 under the new base year of 2000 used to determine GDP in Spain. Under the older 1995 base year, the tax burden would have absorbed 36.12 percent of GDP. Spain's 2004 GDP was EUR 837.57 million (USD 1.02 billion) and the tax burden equaled EUR 288.54 million (USD 354.4 million).

3. The Socialist government promised that the tax burden in Spain would not increase during its term in office. The Ministry of Economy and Finance argues that the increase in the tax burden occurred at the regional and municipal government levels, rather than the central government level. The calculations show that central government tax collections actually fell 0.26 percent, whereas regional government revenues rose 0.55 percent and municipal tax receipts rose 0.14 percent.

4. Even with the small 0.45 percent increase in 2004, Spain's tax burden is one of the lowest in the EU. Spain held the sixteenth position in 2003 EU-25 tax burden figures, under the older 1995 base year. Spain was immediately below the United Kingdom, and had a tax burden lower than all of the EU-15 members save Ireland.

5. Spain's government debt is now calculated at 38.4 percent of GDP under the 2000 base year (40.3 percent under the 1995 base year calculation).

MANZANARES